

**Minnesota Avenue Benning Road “Phase 2”
Community Meeting Questions and Answers
September 10, 2008**

Questions for City Interests:

Q1. City East, what happened to the hotel scheme?

A: A 100 room limited service hotel was included as an option in our original proposal. However, we did not present it as an option at the community meeting due to the presentation guidelines specified by the Deputy Mayor for Planning and Economic Development. If the community and the District support a hotel, CityEast LLC will work to include a 100 room limited service hotel in the CityEast development program. In fact, CityEast LLC has received a letter of interest from Sage Hospitality, a large hospitality investor, developer and management company (top 25 nationally) to partner with CityEast LLC on this endeavor. Moreover, a hotel will generate additional permanent jobs and a host of tax dollars.

Q2. City East, will this project compete with the East River Park tenants?

A: No. In fact, the exact opposite is true. CityEast will complement the East River Park Shopping Center providing (i) *relocation opportunities* to existing tenants enabling an accelerated redevelopment of both projects; (ii) *enhanced tenant mix control in the entire neighborhood redevelopment* so that the community receives a greater variety of retailers due to the symbiosis generated through master planning.

Q3. For City Development: You spoke about money invested in the community and we have heard the plans about what you would do. Can you tell us what other projects you have actually built?

A: CityEast LLC partners and staff have developed the following projects over the last ten years:

- Harbourside Offices (Washington, DC), 160,000 SF office building, delivery 2008
- Harbourside Condominiums (Washington, DC), 7 luxury condominiums, delivery 2008.

- House of Sweden/Swedish Embassy (Washington, DC), 150,000 SF delivery 2007
- Centerpoint (Baltimore, MD), 500,000 SF mixed use project delivery 2006
- Mandarin Oriental Hotel (Washington, DC), 400 room luxury Hotel delivery 2004
- Townes at Hillside (Washington, DC), 65 townhomes delivery 2004
- Overlook Condominiums(Washington, DC), 77 units delivery 2002
- Washington View Apartments(Washington, DC), 353 units delivery 1999

Q4. I love the City East proposal, but what would it take to put up a movie theater, or even a bowling alley?

A: Thank you for your support! CityEast LLC has included performance space and an amphitheater in our civic plaza. In addition, CityInterests has already had conversations with a large movie theater company for its other holdings. A bowling alley is an interesting idea for the site or for the redeveloped East River Park. CityInterests will explore the feasibility of incorporating a bowling alley as it begins the tenant recruitment efforts for CityEast and its other holdings.

Q5. Mr. Chris LoPiano, said "the company had already invested \$50 million in the area". What area is he speaking of?

CityInterests and its affiliated companies invested \$50 million in Ward 7 over the last four years, more than any other development company, in the following investments:

- The acquisition, planning and predevelopment of the Parkside site
- The acquisition and renovation of three other shopping centers in Ward 7: East River Park, Fort Davis and Benco Shopping Centers.

Q6. Who has benefited from City Interests investments? Are there any LLCs, non-profits, or special groups that could be documented?

A: Many Ward 7 groups and local non-profits have benefited from CityInterests investment to date.

CityInterests and its affiliate companies (including Parkside Residential LLC) have made charitable contributions and support to the following non-profits:

- Ward 7 Arts Collaborative (contribution and sponsor of public art projects)
- East of the River Unity Healthcare (contribution toward the renovation of its new lobby)
- Cesar Chavez Public Charter School for Public Policy (sponsored community day 2007)
- Eastland Gardens Civic Association (2008 community day)
- Sponsored East River Park Community Day (2007)
- Capitol View Civic Association (sponsor of 2008 community day)
- Groundwork Anacostia River (catered 50 person event – 2008)
- Ward 7 Business and Professional Association (2007)
- Mayfair Mansions Tenants Association (sponsored community day)
- Marshall Heights Community Development Organization (MHCDO) Golf Tournament
- Marshall Heights Community Development Organization (MHCDO) is a partner in Parkside residential and received a cash distribution from the project in December 2007.
- CityInterests' principals and staff served as counselors and provided monetary support to a MHCDO summer youth program focused on environmentalism.
- Parkside Community Design Charrette (2005)

Q7. How has the \$50M LoPiano mentioned increased the quality of life for the area in question?

A: In July 2007, CityInterests acquired three shopping centers in Ward 7: East River Park, Fort Davis, Benco and controls the Parkside redevelopment. CityInterests has enhanced the quality of life for Ward 7 residents in the following ways:

- **SHOPPING CENTER ACQUISITION AND RENOVATIONS**

CityInterests has spent approximately \$34,000,000 acquiring and renovating its Ward 7 shopping centers. The following notable improvements were made to enhance the appearance and improve the safety for our customers:

- Repaired and restriped parking lots at all centers
- Repaired or replaced roofs as necessary
- Increased security patrols
- Improved exterior lighting at all centers to make them safer

- NEW RESTAURANTS

CityInterests opened a new restaurant in the Benco Shopping Center (Tropicana in June 2008) and will open Ray's the Heat in March 2009. Ray's the Heat is owned/operated by Michael Landrum, the 2007 Washingtonian restaurateur of the year, and will be the second sit-down restaurant in Ward 7.

- CONTRIBUTION TO WARD 7 NON-PROFITS

See Question #6

- PARKSIDE DEVELOPMENT

The first phase of Parkside, Cesar Chavez Public Charter School for Public Policy, opened its doors in September 2005. Since then, CityInterests and its affiliated companies have invested three years rezoning and preparing the Parkside site for redevelopment. In early 2009, CityInterests will break ground on 112 market-rate and workforce for-sale townhomes and a 98 unit green senior affordable apartment building. Future phases will break ground in 2010 and beyond. In addition, Parkside Residential LLC is partnering with the District of Columbia and contributing ¼ of the cost up to \$3 million to build a new covered pedestrian bridge from the Parkside site to the Minnesota Avenue Metrorail Station.

- FORT MAHAN GATEWAY CONTRIBUTION

CityInterests has a contract to purchase the Shop-Express site (3900 Benning Road NE). As part of its proposal to the District, CityEast LLC will contribute half of the site in the form of an easement as an entrance to Fort Mahan Park. This connection is an important component of linking the National Park land at Fort Mahan Park to Downtown Ward 7. The value of the easement is roughly \$1 million.

Q8. Will City East be willing to do this project without TIF/city subsidy? If not, why not? If so, how soon will they be able to begin?

- CityEast will be able to commence construction in late 2009.
- ODMPED requested that CityEast present two alternative Best and Final Offers: (1) Residential/Retail Only; (2) Office/Residential/Retail¹
- The Office of the Deputy Mayor for Planning and Economic Development ("ODMPED") requested that CityEast provide, within their Best and Final Offer to the District, the sources and uses for the infrastructure costs associated with the development. CityEast incorporated the Great Streets plan into our development, as

¹ CityEast's preferred alternative.

requested in the RFP. These plans included an access road and ramp on the back side of the site to Benning Road from the Metro parking access road, consistent with the Great Streets plan, in order to alleviate traffic congestion in the Minnesota Avenue and Benning Road intersection. DDOT has indicated to us that the city did not intend to build this road and the plan was for the development of this five acre site to bear this public infrastructure cost. These Public Infrastructure Costs equal \$14 million.

- For the residential/retail-only scheme, in its Best and Final Offer to the District of Columbia, CityEast requested \$13.7 million in TIF/city subsidy support. **If Public Infrastructure Costs (\$14.0 million) are removed from the proposal and vehicular access is provided only from Minnesota Avenue, CityEast requires no TIF/city subsidy.**
- For the office/residential/retail scheme, in its Best and Final Offer to the District of Columbia, CityEast requested \$19.9 million in TIF/city subsidy support. CityEast can eliminate the need for TIF/city subsidy by the following actions:
 - If Public Infrastructure Costs are removed from the proposal and access is provided only from Minnesota Avenue, the overall TIF requirement is reduced by \$14.0 million.
 - If DHCD sources are replaced with Low Income Housing Tax Credit Equity, the result is a \$3.1 million reduction in city subsidy.
 - If parking costs are lowered because of a BZA parking variance for shared parking, CityEast believes that it can reduce the parking cost by 13% or \$2.8 million.

The above changes to the sources and uses eliminate the need for TIF/city subsidy for the CityEast office/residential/retail plan.

CityEast LLC believes that office is an essential component of the revitalization of Downtown Ward 7 and the Phase 2 site is the appropriate location for office space within the neighborhood. Our proposed 300,000 square feet of office space (including the 100,000 build-to-suit office building) will have the added community benefit of substantially reducing the amount of concentrated affordable housing on this site, which is the community's desire.

SUMMARY OF REDUCED SUBSIDY OPTION

	Residential/Retail Only	Office/Residential/ Mixed-Use
TIF/city subsidy request	\$13.7 million	\$19.9 million
<i>LESS – Public Infrastructure Cost Reduction</i>	<i>(\$14.0 million)</i>	<i>(\$14.0 million)</i>
<i>LESS - DHCD Sources Reduction</i>		<i>(\$3.1 million)</i>
<i>LESS - Shared Parking Savings</i>		<i>(\$2.8 million)</i>
Revised TIF/city subsidy request	\$0	\$0

Questions for Both Teams:

Q1. Will Ward 7 residents be hired for green jobs i.e. landscaping? Who will train them?

A: Absolutely. CityEast is interested in working with the Community Advisory Committee, Groundwork Anacostia and the Ward 7 Business and Professional Association to facilitate the hiring and training of Ward 7 residents. In addition, we look forward to working with the District's Green Collar Jobs Initiative. We are open to include other groups to help with the outreach, hiring and training process as well.

Q2. How much district money will your project use? As a tax payer I am curious.

- ODMPED requested that CityEast present two alternative Best and Final Offers: (1) Residential/Retail Only; (2) Office/Residential/Retail²
- The Office of the Deputy Mayor for Planning and Economic Development (“ODMPED”) requested that CityEast provide, within their Best and Final Offer to the District, the sources and uses for the infrastructure costs associated with the development. CityEast incorporated the Great Streets plan into our development, as requested in the RFP. These plans included an access road and ramp on the back side of the site to Benning Road from the Metro parking access road, consistent with the Great Streets plan, in order to alleviate traffic congestion in the Minnesota Avenue and Benning Road intersection. DDOT has indicated to us that the city did not intend to build this road and the plan was for the development of this five acre site to bear this public infrastructure cost. These Public Infrastructure Costs equal \$14 million.
- For the residential/retail-only scheme, in its Best and Final Offer to the District of Columbia, CityEast requested \$13.7 million in TIF/city subsidy support. **If Public Infrastructure Costs (\$14.0 million) are removed from the proposal and vehicular access is provided only from Minnesota Avenue, CityEast requires no TIF/city subsidy.**
- For the office/residential/retail scheme, in its Best and Final Offer to the District of Columbia, CityEast requested \$19.9 million in TIF/city subsidy support. CityEast can eliminate the need for TIF/city subsidy by the following actions:
 - If Public Infrastructure Costs are removed from the proposal and access is provided only from Minnesota Avenue, the overall TIF requirement is reduced by \$14.0 million.
 - If DHCD sources are replaced with Low Income Housing Tax Credit Equity, the result is a \$3.1 million reduction in city subsidy.

² CityEast's preferred alternative.

- If parking costs are lowered because of a BZA parking variance for shared parking, CityEast believes that it can reduce the parking cost by 13% or \$2.8 million.

The above changes to the sources and uses eliminate the need for TIF/city subsidy for the CityEast office/residential/retail plan.

CityEast LLC believes that office is an essential component of the revitalization of Downtown Ward 7 and the Phase 2 site is the appropriate location for office space within the neighborhood. Our proposed 300,000 square feet of office space (including the 100,000 build-to-suit office building) will have the added community benefit of substantially reducing the amount of concentrated affordable housing on this site, which is the community's desire.

SUMMARY OF REDUCED SUBSIDY OPTION

	Residential/Retail Only	Office/Residential/Mixed-Use
TIF/city subsidy request	\$13.7 million	\$19.9 million
<i>LESS – Public Infrastructure Cost Reduction</i>	<i>(\$14.0 million)</i>	<i>(\$14.0 million)</i>
<i>LESS - DHCD Sources Reduction</i>		<i>(\$3.1 million)</i>
<i>LESS - Shared Parking Savings</i>		<i>(\$2.8 million)</i>
Revised TIF/city subsidy request	\$0	\$0

Q3. Which group has a plan to allow non-profits to occupy space that meets the needs of the underserved community? What are the community benefits?

A: CityEast provides 300,000 square feet of office space within its office/residential/retail proposal. This space is specifically targeted for a mix of those non-profits and trade associations priced out of Downtown, government tenants and local, Ward 7 non-profits.

We believe that a portion of the 300,000 square feet of office space is perfectly suited for viable Ward 7 non-profits. We have already had discussions with Ward 7 Arts Collaborative, Friendship Schools and others to locate at CityEast.

Our plan provides three (3) times as much office space as our competitor's plan. This additional office space creates approximately 888 more permanent jobs³ on the Phase 2 site and in Downtown Ward 7.

We believe that office at CityEast is a catalyst for the full revitalization of Downtown Ward 7 and Parkside. The additional office space creates demand for additional and more varied retail space within Downtown Ward 7. By concentrating affordable housing on this site instead of office space, we believe that Phase 2 will not achieve its revitalization potential.

³ Estimated at one job per 225 square feet

Moreover, Ward 7 businesses and non-profits are a part of the CityEast team. We have included five (5) Ward 7 non-profits and businesses on our team including a development partner (Washington East Foundation), historian (Kia Chatmon), interior designer (Kreative Ways and Solutions), public art consultant (Ward 7 Arts Collaborative), and contractor (Nastos Construction).

Q4. How tall is each project?

A: CityEast will be 65 feet high at its highest point as measured from the various frontages.

Q5. Is there space for an on site MPD work station?

A: Yes, we are interested in including a substation in East River Park as well as CityEast.

Q6. When will developers have a real conversation with Ward 7 community about Community Benefits Agreements? Will City East or Donatelli be willing to commit to CBAs the community presents?

A: CityInterests has worked in the past with Ward 7 resident Samuel Jordan and Development Advisory Group and would be happy to have a dialogue with the community about community benefits.